

The Commission met **on Thursday, December 16, 2010**, with Chair Boyd, and Commissioners O'Brien, Pugh, Reha and Wergin present.

The following matters were taken up by the Commission:

TELECOMMUNICATIONS AGENDA

P-6715, 5615/M-10-444

In the Matter of the Charter's Request to Update 911/E-911 Emergency Services Tariff Language and Add a Monthly Database Record Charge

Commissioner Pugh moved to do the following:

1. Determine that the Automatic Location Identification (ALI) database charge is a legitimate service.
2. Approve the proposed tariff of Charter Fiberlink CCO, LLC, and Charter Fiberlink CC VIII, LLC, to add a monthly ALI database charge.
3. Decline to rule on whether the provision of ALI customer information is a recurring 911 service pursuant to Minn. Stat. § 403.11, subd. 1(g).
4. Decline to clarify the application of Minn. Stat. § 403.025, subd. 7.

The motion passed 5 – 0.

P-421/C-10-1000

In the Matter of the Complaint by Wikstrom Telephone Co. Against Qwest Corporation Pursuant to the Parties' Interconnection Agreement

Commissioner O'Brien moved to do the following:

1. Find that the Minnesota-approved interconnection agreement between Wikstrom Telephone Co. (Wikstrom) and Qwest Corporation (Qwest) governs the services sought by Wikstrom from Qwest.
2. Direct Qwest to provide the interconnection requested by Wikstrom within 15 calendar days.

The motion passed 5 – 0.

ENERGY AGENDA

E-002/M-09-1488

In the Matter of Petition for Approval of Two Proposed Energy Innovation Corridor Projects in the Central Corridor Utility Zone and Deferred Accounting Treatment for Costs Incurred After January 1, 2010

Commissioner Wergin moved to take the actions set forth below:

1. Approve the Company's request to withdraw its request for deferred accounting treatment of the Smart VAR project costs.
2. Grant deferred accounting treatment for the facilities relocation project to the Company's currently pending electric rate case, Docket No. E002/GR-10-971, subject to the exact dollar amount being deferred decided in the rate case.
3. Find that because Xcel is not seeking automatic adjustment of charges under Minn. Stat. §216B.16, subd. 7d for these projects, no findings need to be made on compliance with Minn. Stat. §216B.16, subd. 7d (c) (1-7).
4. Except where other timelines are listed in these reporting requirements, Xcel shall report, on a quarterly basis in this docket, on the following within the EIC initiative area, starting on January 1, 2011 and ending at the end of calendar year 2014:
 - a. Levels of energy efficiency savings (compared to Xcel's goal of 50 percent higher levels than mandated by the state of Minnesota);
 - b. Renewable energy supplied or generated (compared to Xcel's goal of 9.5 GWh);
 - c. The number of electric vehicles deployed as a result of the project;
 - d. The reduction in carbon dioxide emissions (compared to Xcel's goal of 95 million pounds annually);
 - e. The number of local jobs created;
 - f. The extent to which the use of sustainable building design and practices is advanced;
 - g. The progress in creating a regional smart energy technology demonstration project;
 - h. The results of Xcel's marketing efforts on residential, commercial, and industrial programs (listed at page 6 of Attachment B of Xcel's initial petition in this docket) to customers in the Central Corridor zone;

- i. The results of Xcel's marketing efforts for its solar projects in practice. Once the Smart VAR project is operational, Xcel shall report the following, within 45 days of the end of a quarter, through the end of calendar year 2014:
 - a. In the first quarter of reporting, annual Smart VAR planned installations, by quarter, and annualized forecasted Impact of planned Smart VAR installations;
 - b. On a quarterly basis:
 - i. actual installations compared to forecast;
 - ii. any problems encountered, and their remedies;
 - iii. any other reasonable requests for information that would be helpful for other utilities to use in deploying a Smart VAR project in other areas;
 - c. In the fourth quarter report, an annual summary of actual installations compared forecast, and any corresponding updates to the forecasted Impact.
 - d. The term "Impact" shall include: reduction in energy use, reduction in peak capacity, the cost savings for ratepayers, and reduction in emissions.
5. Direct Xcel, in any future filings made under Minn. Stat. §216B.16, subd. 7d, to list any other projects considered but not proposed, and list an explanation why the utility chose the project in the petition.

The motion passed 5-0.

E-002/GR-10-971

In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in Minnesota

Commissioner Boyd moved that the Commission:

Order an interim rate increase amount, effective for usage on or after January 2, 2011, that reflects some or all of the following findings and adjustments to Xcel's proposal:

1. Determine that the appropriate cost of capital for interim rates is that prescribed by statute which is calculated using the proposed test year cost of capital with the exception of the rate of return on common equity which is that authorized by the Commission in the utility's most recent rate proceeding.
2. Do not exclude the Company's pension costs from interim rates.

3. Determine that exigent circumstances exist, which support using the proposed depreciation rates rather than the currently approved rates, for calculating interim rates as proposed by Xcel.
4. Remove the costs related to the Fox Lake transmission assets from the interim rate revenue requirement, consistent with the Commission's decision in Docket No. E-002/PA-10- 685.

The motion passed 5-0.

Commissioner Wergin moved that the Commission:

1. Accept the filing as being in proper form and substantially complete as of November 3, 2010.
2. Suspend the proposed final rates until the Commission makes its final determination in this matter and find that the Commission has insufficient time if the rates are suspended for a 10-month suspension period to make a final determination in this rate case because of the need to make final determination on other pending cases involving changes in general rates. Find that the rates should be suspended until December 1, 2011.
3. Require Xcel to file supplemental testimony and exhibits on all or some of the following issues within 30 days of the date of the order:
 - a. the underlying budget and actual O&M expense amounts (detailed at the FERC account level) used to prepare Heuer exhibit schedule 4; direct Xcel to file the FTP reports for 2005 through 2009.
 - b. the salary survey upon which Xcel bases its compensation as well as documentation of how it applies the survey data to determine compensation levels. Xcel should also provide justification as to why the companies in the survey are comparable and appropriate to use for comparison purposes.
 - c. what Xcel has done to control its salary and incentive compensation costs.
 - d. the six different supply strategy options for the Windsource program (listed in PJZ-1, schedule 6, p. 5 of 5). Xcel should include analysis and explanation of why it has decided not to propose lower cost options that are available to the Company.
4. Require Xcel to amend its financial schedules to remove the revenue requirements associated with the Fox Lake transmission assets from its proposed revenue requirement.
5. Refer this matter to the Office of Administrative Hearings for a contested case proceeding.

6. Request the Administrative Law Judge's report on or before September 19, 2011.
7. Identify issues requiring development of a complete record in this case, including:
 - a. Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings;
 - b. Is the rate design proposed by the Company reasonable;
 - c. Are the Company's proposed capital structure and return on equity reasonable;
 - d. Issues relating to the proposed increase in Windsorce rates, with careful consideration of the full record of Docket No. E-002/M-09-1177, including the Commission's Order, staff briefing papers, OES comments, and Xcel's filings;
 - e. Issues related to the proposed 2012 step-in rates;
 - f. Issues arising from E-002/M-09-1388, the central corridor docket; and
 - g. Further explanation and schedule of the Company's salary and benefits history for the past three years.
 - h. Other issues of concern as identified by the Commission.
8. In the Notice and Order for hearing require that:
 - a. This order will be served on the Company, which shall mail copies of the order to all municipalities, counties, and local governing bodies in its Minnesota service area.
 - b. Public hearings shall be held in this matter at locations within the service area of the Company.
 - c. The company shall give the following notices of the evidentiary and public hearings:
 1. Individual written notice to each customer, which may be in the form of a bill insert and shall be served at least ten days before the first day of hearings.
 2. Written notice to the governing bodies of all municipalities, counties, and local governing bodies in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.

3. Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's Minnesota service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which shall appear in bold face type no smaller than 30 points.
- d. The company shall submit proposed notices for Commission approval prior to publication or service.

The motion passed 4-1, with Commissioner O'Brien dissenting.

E-002/MR-10-972

In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of a New Base Cost of Energy

Commissioner Wergin moved that the Commission approve a base cost of energy of \$0.02703 per kWh to be effective at the same time interim rates become effective.

The motion passed, 5 – 0.

E-999/CI-08-948

In the Matter of Commission Consideration of Standards Related to Smart Grid Investments and Information Under the Federal Independence and Security Act of 2007.

Discussion held.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: February 16, 2011



Burl W. Haar, Executive Secretary